

Indiana

Department of Local Government Finance



Committed to a fair and equitable property tax system for Hoosier taxpayers.

Public Hearing on Reassessment of Real Property in Posey County

**Department of Local Government Finance
Resolution #2007-02**

August 20, 2007



Agenda

- o **Public hearing will run from 6:00 p.m. – 9:00 p.m.**
- o **The Need For Reassessment Of Real Property**
 - o Accuracy and Equity
 - o Lack of Adjustments to Commercial and Industrial Properties
- o **How The Reassessment Will Be Handled**
 - o Securing a Vendor
 - o Commercial and Industrial Properties
 - o Residential Properties
- o **Opportunity For Public Comments**
 - o Elected/Appointed Posey County Officials
 - o Floor will be open for public comment
 - o **Please note that each speaker is limited to 3 minutes for comments**



The Need For Reassessment Of Real Property

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The Need for Reassessment of Real Property

o Accuracy of Assessments

Accuracy refers to how close the assessments determined by local assessing officials are to market value-in-use

o Equity of Assessments

Equity refers to how uniform assessments are within a class of property or geographic area



The Need for Reassessment of Real Property

- o Accuracy and equity are measured by conducting a statistical analysis known as an assessment-to-sales ratio study
- o The basic statistic in an assessment-to-sales ratio study is an assessment ratio

$$\text{Assessed Value} \div \text{Sale Price} = \text{Ratio}$$



The Need for Reassessment of Real Property

- o In Indiana, the assessment ratio for all properties is to be 100%

Assessed Value ÷ Sale Price = Ratio

Example 1: \$60,000 ÷ \$60,000 = 100%

Example 2: \$54,000 ÷ \$60,000 = 90%

Example 3: \$66,000 ÷ \$60,000 = 110%



The Need for Reassessment of Real Property

- o Using these ratios from sold properties and grouping them by township and class, an assessment-to-sales ratio study determines if assessments are accurate and equitable



The Need for Reassessment of Real Property

Statistical Measures

- o **Accuracy** is measured by the median ratio
 - o The median ratio is the “average” level of assessment for a class of property
- o **Equity** is measured by the coefficient of dispersion (COD)
 - o The COD gives the relative dispersion, or variability of assessments from the median



The Need for Reassessment of Real Property

Standards

- o 50 IAC 21, the administrative rule governing annual adjustments sets the following standards for assessments:
 - o **Accuracy** – The median ratio for any class of property in a township should fall between 90% and 110%
 - o **Equity** - the COD should be:
 - o $\leq 15\%$ on improved residential property; and
 - o $\leq 20\%$ on all other classes



Results of Posey County Ratio Study

Accuracy

- o Improved industrial property had a median ratio of 118%; above the range required by the standard.
- o Vacant industrial property had a median ratio of 85%; below the range required by the standard.



Results of Posey County Ratio Study

Equity

- o All classes of property in all townships met the standard for assessment equity.



Lack of Adjustments to Commercial and Industrial Properties

- o Analysis of Assessment Changes from 2005 to the 2006 assessment year revealed the following:
 - 1) A county-wide analysis of gross assessed values of commercial parcels revealed that ninety-seven percent (97%) of these parcels had no change in assessed values from the 2005 assessment year to the 2006 assessment year. Out of a total of 783 parcels, 11 were increased, 12 were decreased, and 760 were not changed.



Lack of Adjustments to Commercial and Industrial Properties

- 2) A county-wide analysis of gross assessed values of industrial parcels revealed that ninety-seven percent (97%) of these parcels had no change in assessed values from the 2005 assessment year to the 2006 assessment year. Out of a total of 189 parcels, 2 were increased, 3 were decreased, and 184 were not changed.



How the Reassessment Will be Handled

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Securing a Vendor

- o Through the Special Procurement process, Posey County officials will select the vendor to conduct the reassessment
- o The Indiana Department of Administration must first approve the Special Procurement process
- o The Department of Local Government Finance will have oversight of the vendor in that the vendor must be certified under 50 IAC 15-4-1 and must include in its contract the provisions required by IC 6-1.1-4-18.5 and IC 6-1.1-4-19.5
- o A checklist for these required contract provisions can be found at <http://www.in.gov/dlgf/local/assessor.html>
- o The Special Procurement process is expected to be expedient (2 to 3 weeks)



Commercial and Industrial Properties

o **Assumptions:**

- o The underlying property data is correct
- o The Vendor will not be required to perform the work within the Posey County computer system
- o The Vendor will pull the values into their own system
- o The Vendor will be using 2005 pay 2006 Posey County Assessor Data



Commercial and Industrial Properties

- o The initial process is expected to use an updated cost approach in addition to updating land values:

$$\begin{aligned} &1999 \text{ RCN} \times \text{Cost Factor} = 2005 \text{ RCN} \\ &\quad - \text{Depreciation (6 years)} \\ &\quad = \text{Improvement Market Value} \\ &\quad \times \text{2005 Neighborhood Factor} \\ &\quad = 2005 \text{ Improvement Market Value} \\ &\quad + \text{2005 Land Market Value} \\ &\quad = 2005 \text{ Total Market Value} \end{aligned}$$



Commercial and Industrial Properties

- o The Neighborhood Factor (or Annual Adjustment Factor) will be based on Sales Disclosures from 2004 and 2005, with a January 1, 2005 valuation date
- o The Department will review and approve the reassessment work throughout the process
- o The reassessment of real property is expected to be completed by December 31, 2007, and assessed values shall be rolled to the County Auditor by February 15, 2008

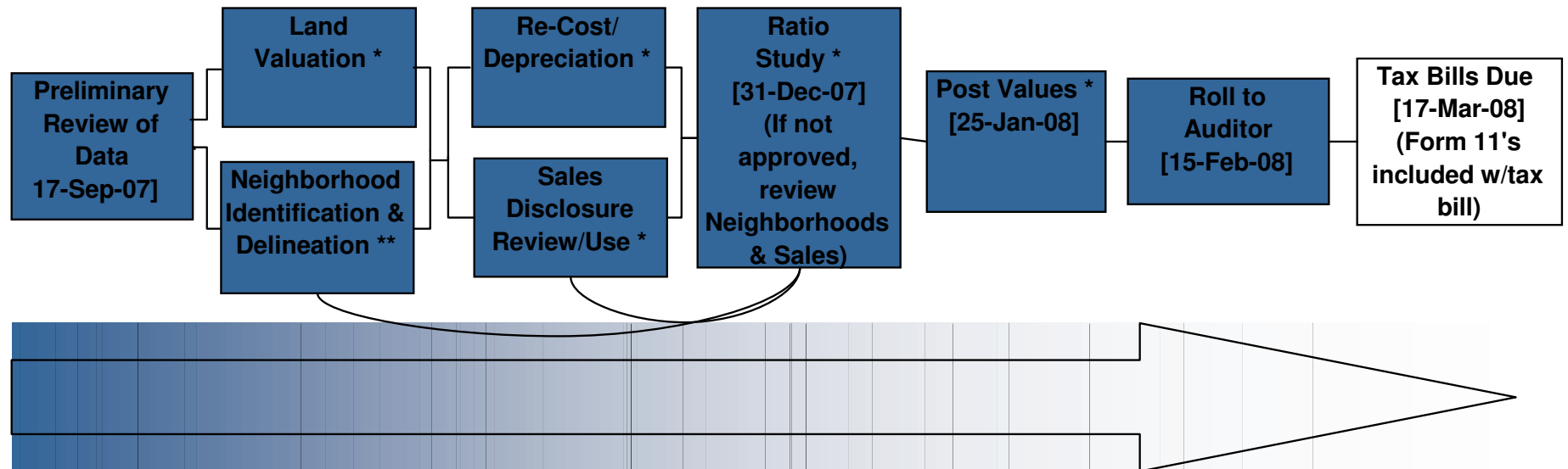


Residential Properties

- o The County Assessor, working with the Township Assessors, will be responsible for the reassessment of residential properties
- o The County Assessor may retain a vendor to assist with the reassessment of residential properties
- o The Department will review and approve the residential reassessment work throughout the process



Timeline for Posey County Commercial and Industrial Reassessments



* DLGF Review and Approval Process

** Report on how Neighborhoods are defined

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Comments & Questions

Please email written comments and questions
regarding the reassessment to:

poseyreassessment@dlgf.in.gov

(No phone comments will be accepted)